



NATIONAL BANK OF CAMBODIA

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**Remarks
by**

**His Excellency Chea Chanto, Governor of the National Bank of Cambodia
at the 7th China-ASEAN Summit Forum on Financial Cooperation & Development and
the 12th CAEXPO's China-ASEAN
Nanning, Guangxi Zhuang Autonomous Region in China, 19 October 2015**

- H.E. Peng Qinghua, Secretary of the CPC, Guangxi Committee, Chairman of the Standing Committee of Guangxi People's Congress;
- H.E. Tang Renjian, Member of the Standing Committee of the CPC, Guangxi Committee, Executive Vice Governor of Guangxi;
- H.E. Fan Yifei, Deputy Governor of the People's Bank of China

Excellencies, Distinguished Guests, Ladies and Gentlemen,

Good morning to you all!

Today I have the great honor and pleasure to attend the 7th China-ASEAN Summit Forum on Financial Cooperation and Development and the 12th China-ASEAN Expo here in Nanning in the beautiful city of Guangxi Zhuang Autonomous Region in southern China. I am very delighted to revisit your impressive city which is like a bright and strong symbol of China's rapid development.

Above all, on behalf of the National Bank of Cambodia, let me express my deepest gratitude to H.E. CHEN WU, Governor of Guangxi Zhuang Autonomous Region, for his warm greetings and for his invitation to take part in this Forum. I would also like to express my profound appreciation and heartfelt congratulations to the Government of the People's Republic of China, the People's Bank of China, the China Banking Regulatory Commission (CBRC), the China Securities Regulatory

Commission (CSRC) and the China Insurance Regulatory Commission (CIRC) for the excellent organization of this event.

This important event highlights the strong economic, financial and monetary cooperation between China and the ASEAN region. As China's financial markets are increasingly opening up, thanks to the internationalization of the renminbi, China will play an even more decisive and central role not only in the regional economy, but also the global economy.

Excellencies, Distinguished Guests, Ladies and Gentlemen,

This Forum provides us with an engaging opportunity to discuss crucial issues central to the development, wealth and the integration of our region. More importantly, this occasion provides us with a good opportunity to strengthen China-ASEAN financial cooperation and development as well as explore strategic approaches to enhance further cooperation and integration for the benefit of the entire region.

We are on the way towards financial integration, and with every step, we are experiencing more progress and success. China and ASEAN members have become each other's fourth largest trading partners. Our cooperation has demonstrated growing momentum of economic growth favoring equality, mutual benefit and win-win progress. Today, ASEAN has become the sixth largest source of investment for China and ASEAN 10, including Cambodia which has now become the preferred place to do business for Chinese investors in the banking and textile sector, as well as one of the top destinations for Chinese tourists.

As already addressed by my honorable colleagues, our discussion today also focuses on a very forward looking theme: China-ASEAN Wealth Management.

Excellencies, Distinguished Guests, Ladies and Gentlemen,

For the last decade, China has played a crucial role in promoting the regional economic growth through Foreign Direct Investments and Official Development Assistance. In this regard, the China-ASEAN relationship has reached a high degree of mutual understanding and cooperation at the strategic level. Moreover, with the adjustment to the new normal, China has made remarkable progress and changes in policy to ensure sustainable growth in the medium to long term. In relation to ASEAN, Cambodia benefits from these policy changes. Cambodia's international reserves increases on average of about USD 1 billion a year which is fueled by FDI, ODA, public spending and bank lending. **In terms of FDI, Chinese investors are the major business partners in Cambodia with investment amounting to USD 4 billion in 2014 and will most likely be higher than that in 2015.**

As we all know, we are in a period of uncertainty where a continuous low yield environment and divergences in central bank policies around the globe pose higher risk to investment of reserve. The reserve management system is a key component of the monetary system which ensures enough funds to serve essential financial account transactions. Therefore, it is crucial to have a good diversified portfolio. In addition, a good reserve management system relies on an accurate selection of currencies to be included in the reserve management. Our existing system is based on multiple currencies with a predominance of the U.S. dollars. If we look back in the last 25 years, 65% of the world's reserves were held by developed countries and only 35% by emerging market countries. However, now that trend is reversed, with 67% of the world's reserves held by emerging market economies with the majority of them in Asia and in particular, China. This leads to the logical idea of introducing and incorporating new currencies, such as the renminbi, in the investment universe.

In the last two decades, we have seen an increasing trend of central banks and financial institutions using external wealth management services. The three main

reasons to engage external fund managers are 1) knowledge transfer, 2) access to modern investment infrastructure and expertise of managers and 3) to enhance the investment income. However, the investment mandate needs to obey the three main objectives of a central bank; safety, liquidity and return. Therefore, the risk appetite of the portfolio is limited. This is true for the National Bank of Cambodia where we have been using external fund management services since 2005 and will continue to engage more asset managers in the future.

With the fast development of technology, financial products, and changes in the regulatory framework of financial markets, it makes sense to fulfill the investment needs through professional and expert investment teams. When Abraham Maslow outlined his “hierarchy of needs” to explain our emotional priorities, he put self actualization at the apex of the “needs” pyramid. The external fund manager can help us meet our needs by carefully guiding us to reach our full potential. Of course we may be able to do it ourselves but assistance from the experts can keep us focused and help us to reach our goal faster

To this end, let me conclude by wishing all of you good health, happiness and great success in all endeavors in the coming years.

Thank you for your attention!